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ENERGY RISK MANAGEMENT

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ENERGY MARKET REPORT FOR SEPTEMBER 9, 2005

According to the IEA, lingering refinery outages in the wake of Hurricane Katrina could cause a substantial loss of 38 million barrels of oil products in September and up to 70 million barrels of crude and natural gas liquids up to early 2006. The outages at four refineries may result in a potential loss of 38 million barrels of petroleum products in September and 93 million barrels over the next three months. It said inventories of distillates could fall by 24 million barrels. It said that while some refining and

production capacity has been restored this week, the overall loss is expected to be more severe than after last year's Hurricane Ivan. It said all production in the US Gulf barring the 11% affected by serious damage could be back on line by early December. In its monthly report, the IEA cut its 2005 demand estimate by 200,000 bpd to 83.5 million bpd. Its third quarter demand estimate was cut by 700,000 bpd to 82.6 million bpd while its fourth quarter estimate was cut by 300,000 bpd to 85.6 million bpd. Its 2006 demand estimate was cut by 300,000 bpd to 85.3 million bpd. Its call on OPEC crude was cut by 100,000 bpd to 28.1 million bpd in 2005 while its 2006 estimate was cut by 200,000 bpd to 28.1 million bpd.

Germany's oil reserve agency EBV said Germany has completed the sale of gasoline and diesel fuel from its strategic oil reserves. Deliveries to buyers were expected to start on Monday.

Iraq's southern oil exports remain suspended for the fourth consecutive day due to bad weather conditions and technical problems. It said that crude production from Iraqi southern oil fields have been reduced to 1.7 million bpd due to the problem.

Market Watch

The Colonial Pipeline has frozen shipping nominations for the 26th cycle and will eliminate the front half of its 29th cycle. Colonial said that for the 26th cycle it would closely monitor nominations over the next several days to determine if the freeze is still required. The changes affect both its main gasoline Line 1 and main distillate Line 2 that run from Houston to Greensboro, North Carolina. It cited significant volatility in nominations and frequent changes in origin and delivery schedules as reasons behind the moves.

The panic buying in the wake of Hurricane Katrina is easing as gasoline dealers report that supply lines are improving. Oil companies are still limiting some wholesalers and retailers on the amount of gasoline and diesel they buy but few states are reporting shortages outside of Louisiana, Mississippi and Alabama. The supply situation is set to improve further with at least 20 tankers of gasoline loaded in Europe scheduled to arrive in the US starting next week. In addition, inventories from the IEA emergency stockpiles are expected to be released over the next month.

The EU is planning to set up an alert system for oil inventories to ensure that stocks remain above a mandated minimum. Oil experts from the EU's 25 member states decided on the plan during a meeting earlier on Friday.

Refinery News

Motiva Enterprises has started the restart process at its 240,000 bpd Norco, Louisiana refinery. The refinery is seen returning to full production over several days. Meanwhile Shell said that Motiva's 225,000 bpd Convent, Louisiana refinery is operating at 90% of capacity and is shipping gasoline, diesel and aviation fuel to the market.

Murphy Oil's Meraux refinery may remain down for as long as six months, according to a senior scientist with the Louisiana Department of Environmental Quality. He said lingering flood waters, limited road access and sustained power outages will delay the plants' restarts. He expects the 183,000 bpd Chalmette refinery to return first, followed by ConocoPhillips' 255,000 bpd Alliance refinery while the 120,000 bpd Meraux refinery is expected to be the last refinery to restart. The Chalmette refinery sustained the least flood damage. The refinery still has water in its tank farm but floodwaters in the fuel processing equipment have been pumped into the river. ConocoPhillips's Alliance refinery remains flooded. Power has been restored to parts of Belle Chase. However Entergy said the refinery had not yet been connected to the grid.

Alon USA scheduled maintenance on a carbon monoxide boiler associated with a catalytic cracking unit at its 70,000 bpd Big Spring, Texas refinery starting September 18-23.

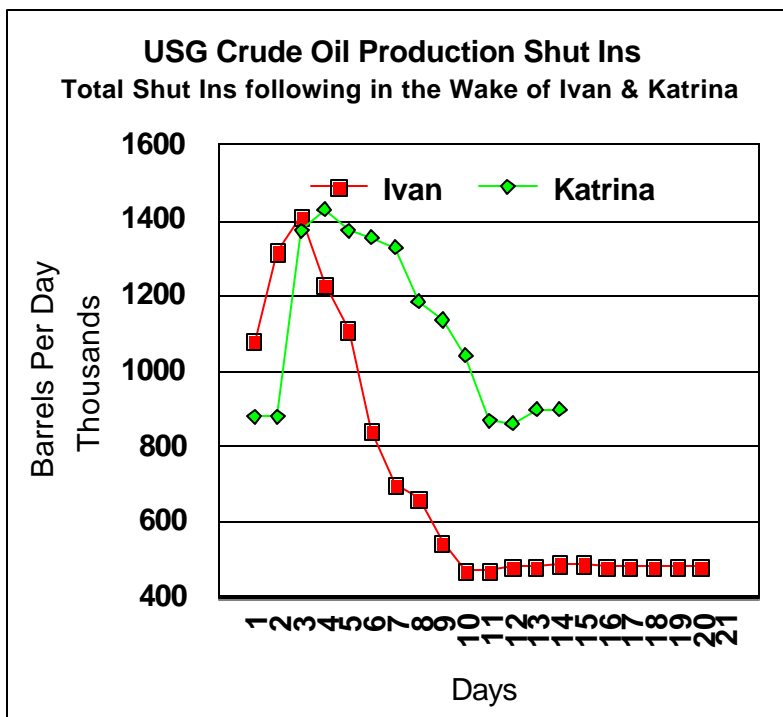
Valero Energy Corp said it will delay any maintenance plans that it can to keep its fuel production high in the wake of Hurricane Katrina.

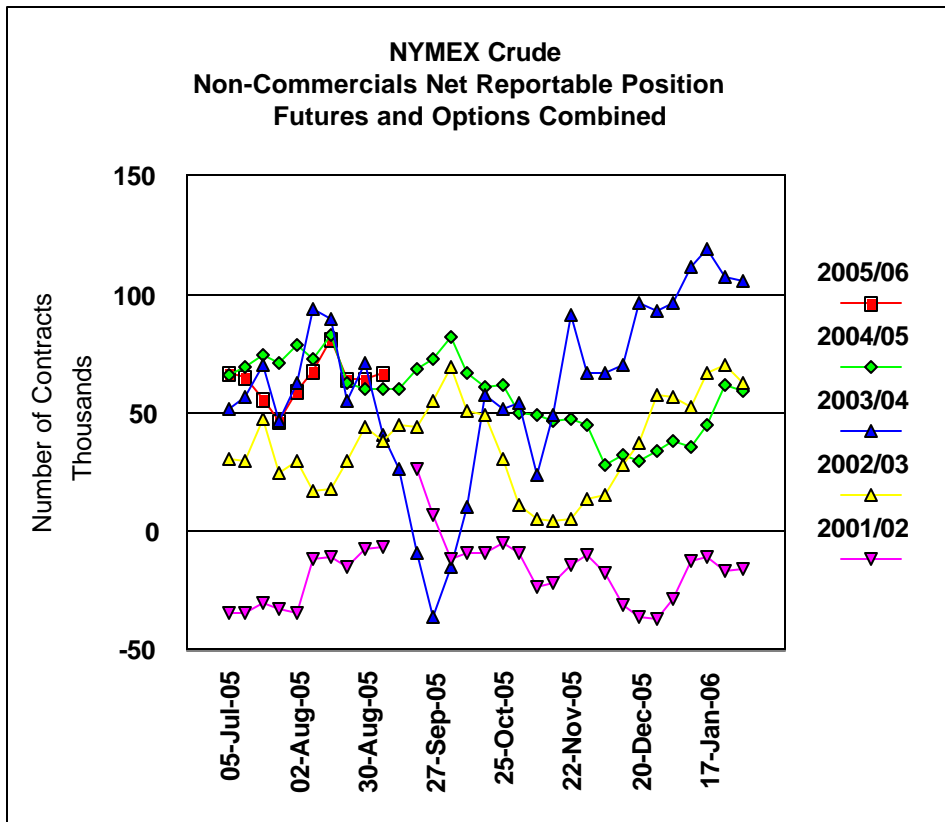
Production News

According to the MMS, US Gulf of Mexico oil and gas production shut in due to Hurricane Katrina saw little recovery on Friday. It reported that the amount of oil production shut in stood at 898,161 bpd or 59.88% of the Gulf's total oil output. It stated that a total of 16.224 million barrels of oil was shut in.

Royal Dutch/Shell said that production is now flowing and is ramping up from all its assets in the Western Gulf of Mexico that were shut in due to Hurricane Katrina. Currently, Shell's net Gulf of Mexico production has returned to about 160,000 bpd of oil equivalent. It said that pending full assessments and evaluations of infrastructure and assets, it is expecting that 60% of total production will be restored to pre-hurricane levels within the fourth quarter. However Shell stated that production at its Mars platform in the Gulf of Mexico may not be feasible in the fourth quarter after it was damaged by Hurricane Katrina. It said output in the Ursa, Mensa and Cognac area may not resume either.

Euroilstock reported that distillate stocks increased by 1.8 million barrels on the month to 360.68 million barrels in August. It was down 9.34 million barrels on the year. It reported that total oil and product inventories fell by 1.43 million barrels to 1.124 billion barrels. Crude oil stocks fell by 3.43 million barrels to





486.84 million barrels while gasoline stocks fell by 510,000 barrels to 140.85 million barrels on the month. It stated that refineries operated at 93.63% of capacity in August compared with 91.66% in July.

The North Sea Brent crude system has scheduled the loading of 15 cargoes totaling 5.8 million barrels, up from 5.52 million barrels set for loading in September.

The October program for Statfjord crude has scheduled the loading of 10.26 million barrels, unchanged on the month. Meanwhile, the October Oseberg loading plan has

increased to 313,000 bpd, up from 285,000 bpd in September.

BP said it will lower its diesel and petrol retail prices in France after the French finance minister said he would consider levying a windfall tax on the profits of oil and gas companies. The government plans to meet with oil firms next Friday.

Statoil ASA aims to produce an additional 1.3 billion barrels of oil equivalent by 2012 in the Tampen area of Norway. The Tampen area has already pumped out 8.7 billion boe.

Oil production from facilities on the seabed will overtake rig output in the UK North Sea by 2010. Subsea accounts for 38% of UK North Sea output and its share is growing at about 3% per year. The reason behind the growth has been cost, as subsea is less expensive than conventional production. Several of the fields due on stream in the North Sea in the next few years are subsea developments.

Azerbaijan produced 32% more crude oil in the first eight months of 2005, year on year, as BP continued to increase output from its second Caspian Sea deposit. The growth rate accelerated from 30% in January-July as BP readies supplies to fill a major pipeline from Baku to Ceyhan. BP said production from the Chirag and Azeri oilfields was 7.37 million tons or 222,000 bpd in January-August 2005 compared with 4.15 million tons in January-August 2004 from Chirag alone. Socar said output for the eight month period was unchanged at 5.99 million tons. Total Azeri oil production was 13.36 million tons or 402,000 bpd.

Japanese refiners may increase their gas oil exports for October from earlier low forecasts due to high profit margins and their contribution to the IEA stockdraw. Refiners are expected to export a total of 70,000 tons, sharply down from 220,000 tons in September. However that figure is likely to rise after

Exxon Mobil said on Thursday it would export 630,000 barrels of gas oil from its Japanese unit to Europe in September or October.

Ecuador's Central Bank reported that Ecuador's oil product exports revenue in June totaled \$57.99 million, up 104% on the year. It exported a total of 1.49 million barrels, up 11% from 1.34 million barrels reported last year.

OPEC's news agency reported that OPEC's basket of crudes fell by \$0.95/barrel to \$57.48/barrel on Thursday.

Market Commentary

The energy complex ended in negative territory with the gasoline market driving the markets lower as concerns seemed to ease despite the reports of refineries still shut. The gasoline market opened 55 points lower at 203.00 and quickly posted an intraday high of 204.00. However the market erased its slight gains and continued to sell off. This was despite the supportive IEA report stating that there would be a loss of 38 million barrels of oil products in September in the wake of Hurricane Katrina. The market was holding some support at Thursday's low of 197.00, however it breached that level and extended its losses to over 10 cents as it posted a low of 193.50. The market retraced some of its losses ahead of the close and settled down 7.58 cents at 195.97. Volume was light with 49,000 lots booked on the day. The crude market followed suit as it posted a high of 65.10 and sold off more than 90 cents as it posted a low of 63.55 with light volume trading. However the market, which failed to test its support at its previous low of 63.10, bounced off its low and retraced some of its losses ahead of the close amid reports that there was little improvement in the amount of oil still shut in the Gulf of Mexico. It settled down 41 cents at 64.08. Volume was light with 169,000 lots booked on the day. Similarly, the heating oil market settled down 3.31 cents at 189.65 after it sold off more than 5.3 cents to a low of 187.60. Volume in the heating oil was light with 41,000 lots booked on the day.

According to the latest Commitment of Traders report, non-commercials in the crude increased their net long positions by 4,734 contracts to 24,094 contracts in the week ending September 6. Meanwhile, the combined futures and options report also showed that non-commercials in the crude market increased their net long positions by 2,352 contracts on the week to 66,930 contracts. The non-commercials have however likely given up some of their net long positions amid the continued sell off in the market. Meanwhile, non-commercials in the gasoline market cut their net long positions by 2,650 contracts to 29,906 contracts while non-commercials in the heating oil market increased their net long

positions by 2,536 contracts to 11,877 contracts on the week.

The oil market is seen finding support after failing to test its previous low amid the sharp sell off seen in the

Technical Analysis		
	Levels	Explanation
CL 64.08, down 41 cents	Resistance 66.50, 67.30 64.70, 65.10, 65.15	Wednesday's high, Previous high Friday's high, Thursday's high
	Support 63.55, 63.10 62.75, 62.41	Friday's low, Thursday's low Previous low, 62% retracement level (57.20 and 70.85)
	Resistance 196.00, 198.00 191.00, 194.00	Friday's high, Thursday's high
HO 189.65, down 3.31 cents	Support 187.60 186.80, 184.85	Friday's low Previous low, 62% (162.50 and 221.00)
	Resistance 204.00, 207.00 197.50, 199.00, 201.25	Friday's high, Thursday's high
HU 195.97, down 7.58 cents	Support 193.50 191.00 to 188.70	Friday's low Gap (August 29th)

gasoline market. The complex is also seen finding support amid the reports that the shut in refineries will take a few months to restart. Technically, the markets are also starting to look oversold. The crude market is seen finding support at its low of 63.55 followed by 63.10. More distant support is seen at 62.75 followed by 62.41. Meanwhile, resistance is seen at 64.70, 65.10 and 65.15. Further resistance is seen at 66.50 and 67.30.